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Billionaire Peter Thiel could be forced to pull \$5 billion from his retirement account, if House bill passes

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current retirement distribution rules.







KEY

• Peter Thiel, billionaire co-founder of PayPal, would likely need to withdraw all but \$20 million of his Roth IRA, reportedly valued at \$5 billion.

The House Ways and Means Committee passed a tax package on Wednesday that

would require withdrawals from retirement accounts worth more than \$10 million.

- Thiel, 53, would owe income tax on any investment earnings he withdraws due to



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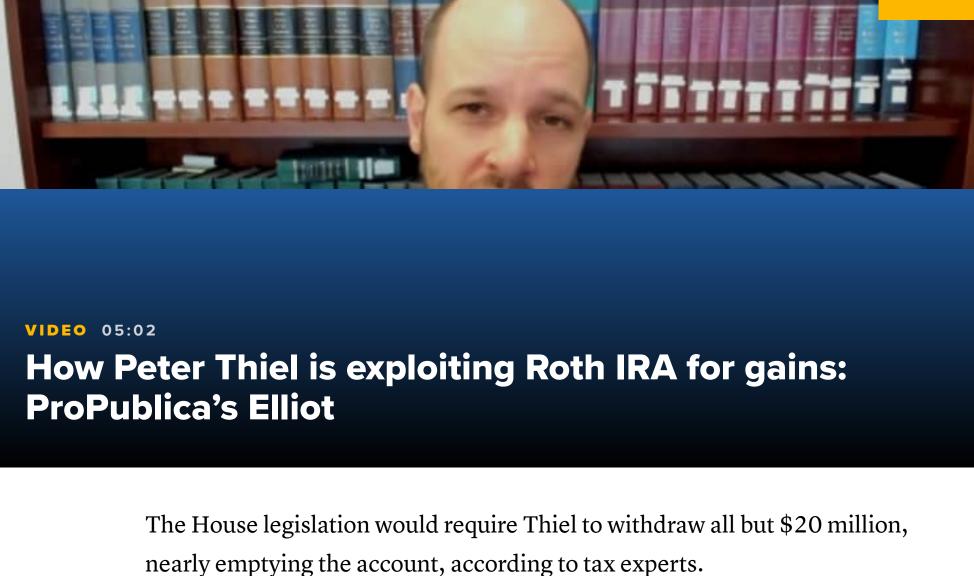


Billionaire Peter Thiel and others with huge retirement account balances are in lawmakers' crosshairs.

401(k) plans and other retirement stashes exceed \$10 million.

House Democrats <u>unveiled a tax package</u> on Monday that would force distributions from one's nest egg if the value of individual retirement accounts,

Thiel, a PayPal co-founder, owns a Roth IRA that was worth \$5 billion in 2019, according to a ProPublica report published in June, based on tax return data. The IRA was worth less than \$2,000 two decades earlier.



Roth IRAs are a type of after-tax account. Contributions are taxed upfront; investment earnings are tax-free, unless the owner withdraws funds before $59\frac{1}{2}$ years old.

Based on the bill's current language, Thiel, 53, would owe income tax on his investment growth — meaning he'd likely owe tax on nearly \$5 billion, according to Ed Slott, an accountant and IRA expert based in Rockville Centre,

(This example assumes the IRA is his only retirement account and that the account is still worth \$5 billion.) "The whole thing was written in response to Peter Thiel," Slott said of the

billion." Thiel didn't immediately return a request for comment from CNBC.

His situation illustrates the tax impact new distribution rules may have on

House legislation. "Because he fits the profile: He's in his 50s and has \$5

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for a vote in the full chamber.

Americans with so-called mega IRAs.

New York.

aiming at the wealthy to raise money for up to \$3.5 trillion of spending on education, paid leave, child care, health care and climate measures. The House Ways and Means Committee passed the tax package Wednesday, setting it up

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"IRAs were designed to provide retirement security to middle-class families, not allow the super wealthy to avoid paying taxes," according to Ron Wyden, D-Ore., chair of the Senate Finance Committee. **New distribution rules**

plans. The House legislation would add to those rules, asking wealthy savers of all

ages to withdraw a large share of aggregate retirement balances annually.

They'd potentially owe income tax on the funds.

Current law requires withdrawals from certain retirement accounts based on

age. A 2019 law also created distribution rules for inherited IRAs and 401(k)

The formula is complex, based on factors like account size and type of account (pretax or Roth). Here's the general premise: accountholders must withdraw 50% of accounts valued at more than \$10 million. Larger accounts must also draw down 100% of Roth account size over \$20 million.

VIDEO 02:02 A crypto tax loophole could be closing soon — Here's what to know Here are examples of the amounts at stake: An individual with a \$50 million Roth account must withdraw \$30 million next year; an individual with a \$15 million pretax account would pull \$2.5 million. "This is a monumental change for anyone who has more than, say, \$6 million or \$7 million in their IRAs," according to Robert Keebler, an accountant and

people with more than \$10 million." However, single taxpayers with less than \$400,000 of income and married couples with less than \$450,000 are exempt from the rules.

"If [Thiel] is really clever and can get his [adjusted gross income] below the

estate planner based in Green Bay, Wisconsin. "And it will immediately impact

Not just Peter Thiel The number of taxpayers with IRAs over \$5 million tripled to roughly 28,600 from 2011 to 2019, according to a recent analysis by the Joint Committee on

Taxation, the congressional tax scorekeeper. They account for less than one-tenth of 1% of the roughly 70 million taxpayers

with a traditional (pretax) or Roth IRA, according to IRS statistics.

threshold he will avoid this new rule altogether," Keebler said.

dollar accounts — especially after the bull market for stocks coming out of the Great Recession.

However, the super-rich aren't necessarily the only ones with multimillion-

"It's not just people like Peter Thiel," according to Beth Shapiro Kaufman, an estate planner at the law firm Caplin & Drysdale. "I see professionals who have amounts that could be into the two digits of millions, because the period of their working life was a phenomenal period in the stock market."

However, most people should be able to live comfortably on \$10 million in retirement savings, she added.

Correction: An earlier version of this story misstated the age when you can take Roth

IRA earnings tax-free. It is 59½.

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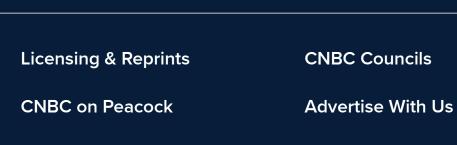
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